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HOUSE HIGHLIGHTS FLORIDA'S ECONOMIC STRENGTH

-Experts agree Florida should control spending, not raise taxes-

TALLAHASSEE – The Workshop on Florida's Economy was held by the House today to address the state of Florida's budget and tax structure, the use of nonrecurring revenue to meet recurring spending demands, and the effects of increased taxes on our economy.

"Our current spending and revenue trends are not fiscally sustainable," said Speaker Johnnie Byrd. "The decisions we make this year will either keep Florida in the fast lane of fiscal responsibility and economic prosperity or turn us onto a dead-end street of financial instability and suffocating taxation."

The Workshop heard presentations from noted economists Dr. Richard K. Vedder of Ohio University, Dr. Randall G. Holcombe of Florida State University, and members of the House.

Over the last two years, recurring general revenue spending has exceeded recurring revenue by over $1 billion per year, setting a disturbing historical precedent. The use of nonrecurring funds to fill these holes could create overspending on recurring programs and a fiscally unviable situation.

This year, Florida will have a record $2 billion in nonrecurring revenue, creating a considerable challenge to sound budgeting. While potentially tempting, these nonrecurring dollars should not be used to significantly overspend on recurring programs.

"Current growth will not provide enough revenue to meet commitments made with nonrecurring dollars," said Representative Bruce Kyle (R-Fort Myers). "To ease the tension between recurring spending demands and recurring revenue, spending must be controlled."

Florida has fared better than most other states during the last recession and leads the nation in economic growth and job creation. According to experts, Florida's tax structure is largely responsible for our revenue growth and is the basis of our state's economic stability.

"There is no need to reform Florida's tax structure," said Dr. Randall G. Holcombe, an economist from Florida State University. "If it is left alone, Florida's sales tax revenue will continue to grow along with the state's economic growth."

Florida's tax revenues are growing faster than Florida's overall income. In 1990-91 tax revenue equaled 5.8% of state income, while in 2002-03 tax revenue was 6.1% of state income. Even after adjusting for population growth and inflation, tax revenue is rising. In 1990-91, sales taxes were $795 and total taxes were $1,484 per person compared to $973 and $1,823 per person in 2002-03. Additionally, state expenditures per person are up 27% from $2,344 in 1990-91 to $2,979 in 2002-03.

“Florida is not facing a revenue crisis; Florida is facing a spending crisis,” said Representative Don Brown (R-DeFuniak Springs). “Raising taxes on Florida’s families, small businesses, and job creators would throw a wet blanket on our burgeoning economy.”

Keeping taxes low creates a business-friendly, pro-growth environment. From 1990-2000, states that have hiked taxes have increased job growth by 9%, while tax-cutting states have raised job growth by 25%. If Floridians paid the same amount of tax as taxpayers from other states, in 2001, Florida’s per capita income would have been 2% less, Florida families would have lost $2,084 in annual income, and Florida’s economy would have grown 80% less.

“If having high living standards and affluence is an important goal, Florida should not raise its state and local tax burden,” said Dr. Richard K. Vedder, a noted economist from Ohio University. “Any changes to the tax code that are not revenue neutral would negatively impact on the state’s economic well being.”

Today, the average Florida household pays $4,467 in state taxes. Add in federal, county, and local government taxes and the average Florida household pays $23,780 in taxes, almost one-third of the average household’s personal income.

“With a stable and effective tax structure, steadily increasing revenues, and a growing economy, raising taxes would be fiscally irresponsible,” said Speaker Byrd. “Instead, we should set responsible priorities to provide for the most vulnerable citizens, while holding the line on wasteful and excessive spending.”

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